

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

BAY STATE GAS COMPANY

D.T.E. 05-27

ATTORNEY GENERAL'S EIGHTH SET OF
DOCUMENT AND INFORMATION REQUESTS

The following are the EIGHTH SET of discovery and information requests regarding the prefiled testimony of Mr. Robinson.

- AG-8-1 Net Salvage - Regarding the replacement activities referenced at the bottom of page 24 and the top of page 25 of Mr. Cote's direct testimony associated with replacing pipe, please specifically identify which of the activities are considered cost of removal and which are considered cost of the replacement addition. Provide all support and justification for the categorization of each expense incurred including all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification.
- AG-8-2 Data - Please provide the length of pipe retired by year from 1980 through 2003 and the corresponding dollars of retirement by year for each type of pipe.
- AG-8-3 Data - Please identify the minimum length of pipe by year for the period 1980 through 2003 that constituted a property unit.
- AG-8-4 Data - Please identify the average length of pipe retired by year for the period 1980 through 2003 at each retirement location where the retirement location is identified by the need to mobilize crew and equipment at each different location.
- AG-8-5 Net Salvage - Please provide a copy of each retirement work order including all cost of removal and gross salvage data associated with the retirement of 1 mile or greater of gas mains that was considered a single retirement event by year for the past 10 years.

- AG-8-6 Net Salvage - Please provide a copy of each retirement work order including all cost of removal and gross salvage data associated with the retirement of 50 or more gas services at one time that was considered a single retirement event by year for the past 10 years.
- AG-8-7 Net Salvage - Please identify the dollar level of overtime and the overtime rate above the standard rate that is reflected in the cost of removal values for Accounts 376 and 380 by year for the period 1980 through 2003.
- AG-8-8 Net Salvage - Please categorize the dollar level of cost of removal reflected in the Company's net salvage database for Accounts 376 and 380 by year between those incurred by in-house personnel and those incurred associated with outside contractors.
- AG-8-9 Net Salvage - Please state if the salvage database is time synchronized with the actual retirement activity. If it is not, identify the average and greatest time period between a retirement and when cost of removal and gross salvage were ultimately booked for Accounts 376 and 380.
- AG-8-10 Net Salvage - Please identify the cost of removal incurred by year for Accounts 376 and 380 associated with damage due to an outside party's actions (e.g., contractor causes a breach in a pipe, etc.).
- AG-8-11 Net Salvage - Please identify the dollar level of retirement activity, gross salvage, and cost of removal by year for the period 1980 through 2003 associated with relocation of both mains and services (separately). Further, specifically identify the amounts received by the Company in association with or related in any manner to such activity, whether the amount was booked as a gross salvage, a reduction to cost of removal, or a decrease in the cost of the replacement plant by year for Account 376 and 380.
- AG-8-12 Net Salvage - Please identify the dollar amount of retirements and corresponding cost of removal by year for the period 1980 through 2003 for Account 376 and 380 that were associated with emergency replacement activity rather than specifically pre-planned replacements.
- AG-8-13 Net Salvage - If an item of plant is retired with a replacement addition occurring and an outside party provides \$1,000 associated with the replacement, how is the \$1,000 accounted for (e.g., \$1,000 gross salvage, \$1,000 reduction to the replacement addition cost, a 50/50 split of the \$1,000, etc.)? Further, please provide full justification for whatever methodology is employed. In addition, identify when the Company first implemented such policy.

- AG-8-14 Net Salvage - If an item of plant is retired and an outside party provides \$1,000 associated with such retirement and no replacement activity occurs, how is the \$1,000 accounted for (e.g., added to gross salvage amount, reduction to the cost of removal, or other method). Further, please provide all justification for whatever policy is utilized by the Company. In addition, identify when the Company first implemented such policy.
- AG-8-15 Net Salvage - Please provide all support and justification for the assumed 2.75% inflation factor reflected in the Company's forecasted future net salvage analysis.
- AG-8-16 Net Salvage - Please provide all support and justification for reliance on linear trend analysis in the development of future forecasted net salvage calculations set forth in the Company's depreciation study.
- AG-8-17 Net Salvage - Please identify and provide the actual linear trend formula relied upon for gross salvage linear trend analyses as reflected in the Company's forecasted future net salvage analyses.
- AG-8-18 Net Salvage - Please identify and provide all tests, whether statistical or not, which demonstrate the validity of the Company's assumed linear trend analysis for gross salvage as reflected in the Company's forecasted future net salvage analyses.
- AG-8-19 Net Salvage - For Account 380, please provide a detailed narrative along with all necessary corresponding numerical values that sets forth in a step-by-step manner how the proposed negative 170% net salvage for Account 380 was determined. The response should specifically note the weighting, if any, given to each factor of consideration that interacted to produce the final result (e.g., the average of the three most recent 3-year rolling bands is given a 75% weighting in addition to 25% weighting given to future forecasted cost of removal and gross salvage values set forth in the analysis, etc.). The information provided should include all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the process employed to arrive at the final proposed value.

- AG-8-20 Net Salvage - For Account 376, please provide a detailed narrative along with all necessary corresponding numerical values that sets forth in a step-by-step manner how the proposed negative 15% net salvage for Account 376 was determined. The response should specifically note the weighting, if any, given to each factor of consideration that interacted to produce the final result (e.g., the average of the three most recent 3-year rolling bands is given a 75% weighting in addition to 25% weighting given to future forecasted cost of removal and gross salvage values set forth in the analysis, etc.). The information provided should include all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the process employed to arrive at the final proposed value.
- AG-8-21 Net Salvage - Please identify each and every factor that the Company and/or its outside depreciation consultant are aware of that affects the level of gross salvage or cost of removal (e.g., inflation, productivity, cost of materials, the scrap market, etc.).
- AG-8-22 Net Salvage - Please provide all support and justification for the Company's reliance on inflation as the sole component of cost of removal that changes over time in predicting forecasted cost of removal amounts as set forth in the Company's forecasted future net salvage analyses.
- AG-8-23 Net Salvage - Please provide all analyses performed to verify that cost of removal has a high or "direct" correlation with time as it relates to cost of removal incurred by the Company for its major accounts, in particular Accounts 376 and 380. If no specific analyses for the Company's prior retirement activity as it relates to this correlation were performed, specifically state so.
- AG-8-24 Data - Please provide a copy of all notes, pictures, memos, etc. associated with Mr. Robinson's site inspection as referred to in his depreciation related material. This should include all correspondence, memos, etc. in preparation for the site visit, the locations visited, time spent at each location, who was present at each location, what specific plant was viewed including the quantity of plant reviewed at each location, what specific information was obtained, and how each item of information impacted the ultimate selection of any mortality characteristic, whether life of salvage related and the degree to which it affected the selection of mortality characteristics, by account.

- AG-8-25 Data - Regarding reference at page 8 and elsewhere in Mr. Robinson's direct testimony to "future expectations" obtained from the Company, please provide all written documentation associated with each future expectation referenced, including but not limited to inquiries by the depreciation consultant and responses from the Company. The information should identify which accounts the information corresponded to and how each item of information affected the selection of any mortality characteristic, whether life or salvage related, and the degree to which it impacted the ultimate level of mortality characteristics proposed in the depreciation study. Finally, provide all underlying support and justification, including all workpapers, assumptions, considerations, and material reviewed and/or relied corresponding to each future expectation.
- AG-8-26 Data - Regarding reference to information relating to "current operations" obtained from Company personnel, please provide all written documentation associated with each item of "current operations", including but not limited to inquiries by the depreciation consultant and responses from the Company. The information should identify which accounts the information corresponded to and how each item of information affected the selection of any mortality characteristic, whether life or salvage related, and the degree to which it impacted the ultimate level of mortality characteristics proposed in the depreciation study. Finally, provide all underlying support and justification, including all workpapers, assumptions, considerations, and material reviewed and/or relied corresponding to each current operation.
- AG-8-27 Net Salvage - Please provide each jurisdiction that has specifically approved the inclusion of future inflation impacts and expectations in the calculation of cost of removal and thus net salvage for depreciation purposes for mass property accounts of energy related utilities. For each jurisdiction identified, provide the corresponding company, docket number and year, as well as all documentation that supports the response. If the Company and/or its outside depreciation consultant are unaware of any such occurrence, then specifically state so.
- AG-8-28 Net Salvage - Please identify each instance during the past 15 years where Mr. Robinson has proposed in an energy utility related depreciation study that future inflation be specifically incorporated into the future net salvage analysis as he has proposed in this proceeding. Further, identify the ultimate decision by the regulator in each instance along with a copy of any order that specifically addresses the issue. If the issue was not specifically addressed in any post hearing order, then specifically state so. Finally, identify which occurrences are associated with settled proceedings.

- AG-8-29 Data - Regarding the statement at page 15 of Mr. Robinson's direct testimony pertaining to intergenerational inequities and the goal that customers pay their fair share of depreciation expense, please provide:
- (1) A full and complete definition of intergenerational inequity;
 - (2) What is meant by paying a fair share of depreciation expense with particular reference to the timing of depreciation expense recovery;
 - (3) How the remaining life technique assures that intergenerational inequities will not transpire given that, at any point in time, depreciation may be over or under-accrued;
 - (4) The level of intergenerational inequity Mr. Robinson or the Company believes is reasonable and the basis for such conclusion along with all support and justification for such conclusion.
- AG-8-30 Life - Please specifically state whether the Company or its depreciation consultant first determined that the Equal Life Group procedure should not be utilized in this proceeding. Further, provide all support and justification for the decision.
- AG-8-31 Net Salvage - Regarding the statement that trends are considered together with any changes that are anticipated in the future as referenced on page 19 of Mr. Robinson's direct testimony, please specifically identify and describe each anticipated change in the future referenced, by account. Further, identify how each future anticipated change was taken into account in the depreciation analysis. Further, provide all underlying workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.

- AG-8-32 Net Salvage - Regarding the statements at the bottom of page 19 of Mr. Robinson's direct testimony that the estimation of the level of retirement cost that will be experienced by the Company at the end of each property's useful life has been "extensively set forth in depreciation textbooks and has been the expected practice by depreciation professionals for many decades", please provide the following:
- (1) A copy of the pertinent pages of each depreciation textbook referenced which set forth the extensive material on this topic;
 - (2) All support and justification for the claim that it has been an accepted practice by depreciation professionals for many decades;
 - (3) A listing of any regulatory agency or depreciation witness who the Company or its outside depreciation consultant are aware of who have not accepted such practice;
 - (4) All support for the claim that the cost of removal analysis is the current standard practice used for mass property by essentially all depreciation professionals in estimating future net salvage for the purposes of identifying the applicable depreciation rate for a property group, including a listing of each depreciation professional that the Company or Mr. Robinson are aware of that comprise "essentially all depreciation professionals."
- AG-8-33 Net Salvage - Regarding the statement on the top of page 20 of Mr. Robinson's direct testimony that there is a direct relationship between the installation of specific plant and its corresponding removal, please provide a detailed narrative explaining what is meant by a direct relationship. Further, provide all underlying support and justification for such claim, including all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the claim.
- AG-8-34 Net Salvage - Regarding the statements at the bottom of page 23 of Mr. Robinson's direct testimony relating to current and future construction technology, please identify each separate current and future construction technology referenced as it applies to Accounts 376 and 380. Further, for each construction technology identified, explain in detail how the difference between the historic and future anticipated technologies impacted the net salvage analyses for those accounts. Further, provide all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of each claimed historic and future construction technology as well as the corresponding impact each has in the development of net salvage for each account.

- AG-8-35 Life - Regarding the reference at the top of page 25 of Mr. Robinson's direct testimony to a "stub curve", please identify what level of retirement activity is necessary for a survivor curve to no longer be considered a stub curve. If the only criteria is that it reflects something less than 100% of the survivor curve, then specifically state so. Finally, identify what minimum level of stub curve the Company or Mr. Robinson believe is insufficient to produce meaningful results in the establishment life parameters for utility property. Finally, provide all support and justification for the response, including all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.
- AG-8-36 Life - Regarding the reference to least squares technique at the top of page 25 of Mr. Robinson's direct testimony, please explain how the least squares technique takes into account the varying quantity of retirement dollars that may occur in any given year (e.g., a \$1 retirement in one year, which creates a data point for that year, versus a \$2 million retirement activity in another year, which creates another data point). The response should specifically identify if and how the least squares technique treats or recognizes the difference in the dollar level of retirement activity from year to year in any mathematical calculation. Finally, provide all support and justification for the response, including all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.
- AG-8-37 Life - For Accounts 376, 380, and 397, please separately identify the results from the least squares technique and the visual selection process obtained by Mr. Robinson in his life analyses. Specifically state which, if either, were specifically relied upon for the proposal set forth in his depreciation study. Finally, provide a detailed narrative addressing how each was relied upon to arrive at the recommended life parameters with specific reference to the level of weight given to each and why the level of weight given to each was employed. Also, provide all corresponding workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.
- AG-8-38 Life - Regarding the statements at the top of page 27 of Mr. Robinson's direct testimony pertaining to current events, please identify each separate current event referenced, the level of consideration it was given, and the impact it had on any mortality characteristic, whether life or salvage, by account, as well as the final impact its inclusion had in the determination of mortality characteristics for Accounts 376, 380, and 397. Finally, provide all corresponding workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.

- AG-8-39 Life - Regarding the statement at the top of page 27 of Mr. Robinson's direct testimony pertaining to general industry events, please identify each such event referred to, a detailed narrative explaining each such event, as well as its impact for Accounts 376, 380, and 397 in the determination of mortality characteristics, whether life or salvage, and the corresponding impact that each had in the ultimate mortality characteristics proposed in the depreciation study. Finally, provide all corresponding workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.
- AG-8-40 Data - Please provide a copy of the most recent industry surveys of depreciation statistics in the possession of either the Company or Mr. Robinson as it pertains to the energy related utilities.
- AG-8-41 Data - Please provide a copy of the Company's prior depreciation study.
- AG-8-42 Data - Please provide a copy of all depreciation workpapers not already requested, both in hard copy and on electronic medium in Excel or Lotus executable format.
- DATED: May 23, 2005.